

CALIFORNIA ENERGY COMMISSION
OFFICE OF THE COMMISSIONERS
 1516 NINTH STREET
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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

Implementation of Restructuring)	Docket No. 98-REN-CCS
Legislation (Public Utilities Code)	NOTICE OF STAFF WORKSHOP
Sections 381, 383.5 and 445)	RE: Review of the Customer Credit
[AB1890, SB 90]: Renewables)	Subaccount Credit Level

NOTICE OF STAFF WORKSHOP
AND OPPORTUNITY FOR COMMENTS

Program staff for the California Energy Commission will hold a workshop to solicit comments on the staff's proposal to lower the credit level. The credit level is currently set at 1.25 cents per kilowatt hour (kWh) through June 2000. The staff is proposing to lower the credit level to 1.0 cent per kWh effective July 1, 2000, and continuing through December 31, 2000.

The workshop will be held at the Energy Commission at the date and time listed below. Although the event will be a staff workshop, Commissioners may attend.

MONDAY, MAY 1, 2000
 Beginning at 9:30 a.m.
 CALIFORNIA ENERGY COMMISSION
 Hearing Room A
 1516 Ninth Street
 Sacramento, California
 (Wheelchair Accessible)

Attachments

Two attachments are available for review. Attachment A is titled *Staff's Proposal for Setting the Credit Level of the Customer Credit Subaccount, Effective July – December 2000*. It gives background on setting the credit level for the Customer Credit Subaccount, a review of account activity to date, and the staff's proposal for setting the credit level. Attachment B is a list of *Questions for Discussion and Written Comments Regarding the Credit Level for the Customer Credit Subaccount*.

Comments

The program staff invite interested parties to submit written and oral comments on the proposed credit level and the attached questions at the workshop. The comments from the public and interested parties received at this workshop will assist staff in making recommendations to the Energy Commission's Renewables Committee regarding the credit level.

Parties submitting written comments must provide 12 copies to the Energy Commission's Docket Office **no later than 5:00 p.m., May 4, 2000**. Those participating in the workshop are requested to bring an additional 30 copies for the staff and other workshop participants. Parties are also encouraged to send an electronic copy of written comments to <docket@energy.state.ca.us>.

Written materials submitted at the workshop will be filed with the Docket Office and will become part of the public record. Please send or deliver the written materials to:

California Energy Commission
Re: Docket No. 98-REN-CCS
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

Written materials must also include the Docket Number for this proceeding, i.e., Docket No. 98-REN-CCS, on the cover page.

Assistance

Members of the public who need information on how to participate in this proceeding may call the Energy Commission's Public Adviser, Roberta Mendonca, at (916) 654-4489, toll free at (800) 822-6228, or by e-mail: <pao@energy.state.ca.us>. The Public Adviser provides assistance to the public regarding Energy Commission procedures and participation in Energy Commission activities. If you have a disability and require reasonable accommodation to participate at the workshop, please contact Robert Sifuentes at (916) 654-5004 or <rsifuent@energy.state.ca.us>. Members of the public who have technical questions regarding the subject matter of this notice may contact Heather Raitt either by phone at (916) 654-4735 or by e-mail at <hrait@energy.state.ca.us>.

News media inquiries should be directed to Assistant Executive Director Claudia Chandler at (916) 654-4989.

Date Mailed: 4/19/00

Mass Mail Lists: Master63/Customer Credit

Attachment A

Staff's Proposal for Setting the Credit Level of the Customer Credit Subaccount Effective July – December 2000

This Attachment describes the staff's proposal to lower the credit level in the Customer Credit Subaccount to 1.0 cents per kWh, effective July through December 2000.

Background

The *Guidebook for the Renewable Technology Program, Volume 4 -- Customer Credit Subaccount (Guidebook)* describes how the Customer Credit Subaccount is implemented. The Energy Commission adopted the *Guidebook* on January 21, 1998, and it has been updated and revised as recently as November 1999. The *Guidebook* is available on the Commission's Web Site at <www.energy.ca.gov/renewables/documents>.

From the beginning of the program through November 1999, the Commission set the credit level at 1.5 cents per kWh, the maximum allowable by law. Starting in December 1999, however, the credit level was set at 1.25 cents per kWh through June 2000.

Currently, the Renewables Committee is considering the level to set the customer credit for the period from July 2000 to December 2000. As such, the Customer Credit Subaccount staff has been reviewing data submitted to the Subaccount and developing forecasts to determine whether the credit level should remain the same for the next six months or whether changes are necessary.

In recent months, the monthly distribution of funds from the Customer Credit Subaccount has exceeded monthly allocations, reducing the rollover of funds that was created in the beginning of the program when payments were less than monthly allocations. The credit level and the growth rate of demand for the credit will determine whether payments will continue to exceed monthly allocations.

Monthly allocations to the Subaccount are currently set at \$1.8 million and for the calendar year 2001 monthly allocations are \$2.25 million. Based on the staff's forecast, rollover funds will be depleted before June 2000. Total cumulative payments from the Customer Credit Subaccount for the four years of the program are set at \$75.6 million.

Once rollover funds are exhausted, the Customer Credit Subaccount has limited flexibility to continue making payments in excess of monthly allocations, particularly if the \$75.6 million cap

is observed and program funding continues through the entire year 2001, as contemplated by the Energy Commission.

Activity to Date and Projected

The staff receives data from providers who submit Monthly Performance Reports (MPRs), or invoices, to receive funding. Information from the MPRs includes the number of customers served, the kWh consumed and the amount of customer credit passed on to customers. This information is currently provided in aggregate form on the Energy Commission's Web Site to assist market participants in their analyses and projections at:

<www.energy.ca.gov/renewables/customer_credit_table.html>.

Figure 1 compares historical data for the amount of customer credit passed on to customers (through November 1999) with previous forecasts by the Commission staff. The two forecasts shown are a 3 percent growth rate and a 5 percent growth rate. The actual amount of customer credits passed on lie between the two forecasts, but do not drop as quickly as originally forecasted for the change in the credit level in December 1999.

The data from the MPRs were used to compile Table 1 below. The data are inclusive for load served through November 1999 and includes January 2000 load for some providers (the data reflect MPRs received through March 2000). Table 1 shows historical data regarding customer credits from the beginning of the program as well as forecasts for customer credits passed on from January 2000 – June 2000. Since there is incomplete information for the period from January 2000 – June 2000, the staff estimated customer credits passed on by assuming a 3 percent growth rate.

TABLE 1
Actual and Forecasted Expenditures for April 1998 – June 2000

Performance Periods	Funds Disbursed (millions)	Allocation (millions)	Rollover Available (millions)	Growth Rate Per Month
April-June 1998	\$0.93	\$5.4	\$4.47	82%
July - Dec 1998	\$3.22	\$5.4	\$6.65	3%
Jan - June 1999	\$7.14	\$8.1	\$7.61	26%
July - Dec 1999	\$13.36	\$8.1	\$2.35	2%
Jan - June 2000	\$14.20	\$10.8	(\$1.05)	3%

The shaded row represents a forecast as information is partially available for the January 2000 performance period, but is not available for February through June 2000 performance periods.

The growth of the program has been volatile. From April to June 1998, the program opened with an explosive growth rate of 82 percent per month, and then experienced another spike from January to June 1999, with a monthly growth rate of 26 percent. For the other two periods shown in Table 1, the growth was much slower at 2 to 3 percent. Barring any other spurts, the staff expects growth to continue around 3 percent per month.

The staff looked at historical growth rates for the customer credits passed on and determined a range of growth rates that should be considered for forecasting customer credits from July 2000 – December 2000. Customer credits were converted into kWh, and then a 1 percent, 3 percent and 5 percent growth rate per month was applied. The staff multiplied the forecasted level of kWh by three different credit levels, ranging from 1.25 cents per kWh to 0.75 cent per kWh, to estimate the growth of the customer credits passed on by providers. The forecast shown does not reflect any changes in growth that may arise due to marketing efforts or the potential dampening of market growth associated with a change in the credit level.

Table 2 shows the forecast for customer credits passed on assuming different growth rates and credit levels. For illustrative purposes only, the staff assumes that the credit level set from July 2000 through December 2000 continues until either the overall funding of \$75.6 million is exhausted or the program ends in December 2001. In some cases, the rollover of funds available in January 2001 (after payments are made in December 1999) is negative. Such a scenario indicates that expenditures would exceed allocations at that point, but that total funding allocations to the Subaccount had not been reached.

The results in Table 2 show that if the growth rate of customer credits is 5 percent per month, then even dropping the credit level to 0.75 cent per kWh will not allow the program to continue through December 2001 (since funds are depleted by December 1, 2001, the last payment is in November 2001). At the 3 percent growth rate, both the 1.25 cents per kWh and 1.0 cent per kWh are not sustainable through the end of the program. However, with a credit level of 0.75 cent per kWh, the rollover is negative at the end of 2000, but with increased monthly allocations in 2001, rollover actually starts to increase in 2001, although this is not shown in Table 2. At the 1 percent growth rate and 1.0 cent per kWh, rollover begins to increase but then decreases again at the end, with funds being depleted in November 2001. At a credit level of 0.75 cent per kWh and 1 percent growth rate, rollover remains positive and actually continues to increase through 2001, ending the year with funds remaining. As Table 2 shows, the credit level in place currently (1.25 cents per kWh) is not sustainable through the end of 2001.

Staff Proposal

The staff suggests a credit level of 1.0 cent per kWh effective July 1, 2001 through December 31, 2000. Reducing the credit level to 1.0 cent per kWh would accommodate a continued increase in market growth without necessarily exhausting funds before the close of year 2001. If the 1.0 cent per kWh credit level proves to be unsustainable because of market growth, then it may become necessary to decrease the credit level in 2001.

Remaining at 1.25 cents per kWh for the remainder of 2000 would lead to a greater change in the credit level in 2001 to remain within the \$75.6 million funding limit. To prevent a sudden drop in the credit level, staff believes that the 1.0 cent per kWh is a feasible option. If in fact growth is much slower than forecasted, the credit level could be increased in 2001, and if growth is faster than expected, the credit level could be decreased.

FIGURE 1
Historical Data vs. Previous Forecasts
(April 1998 - December 1999)

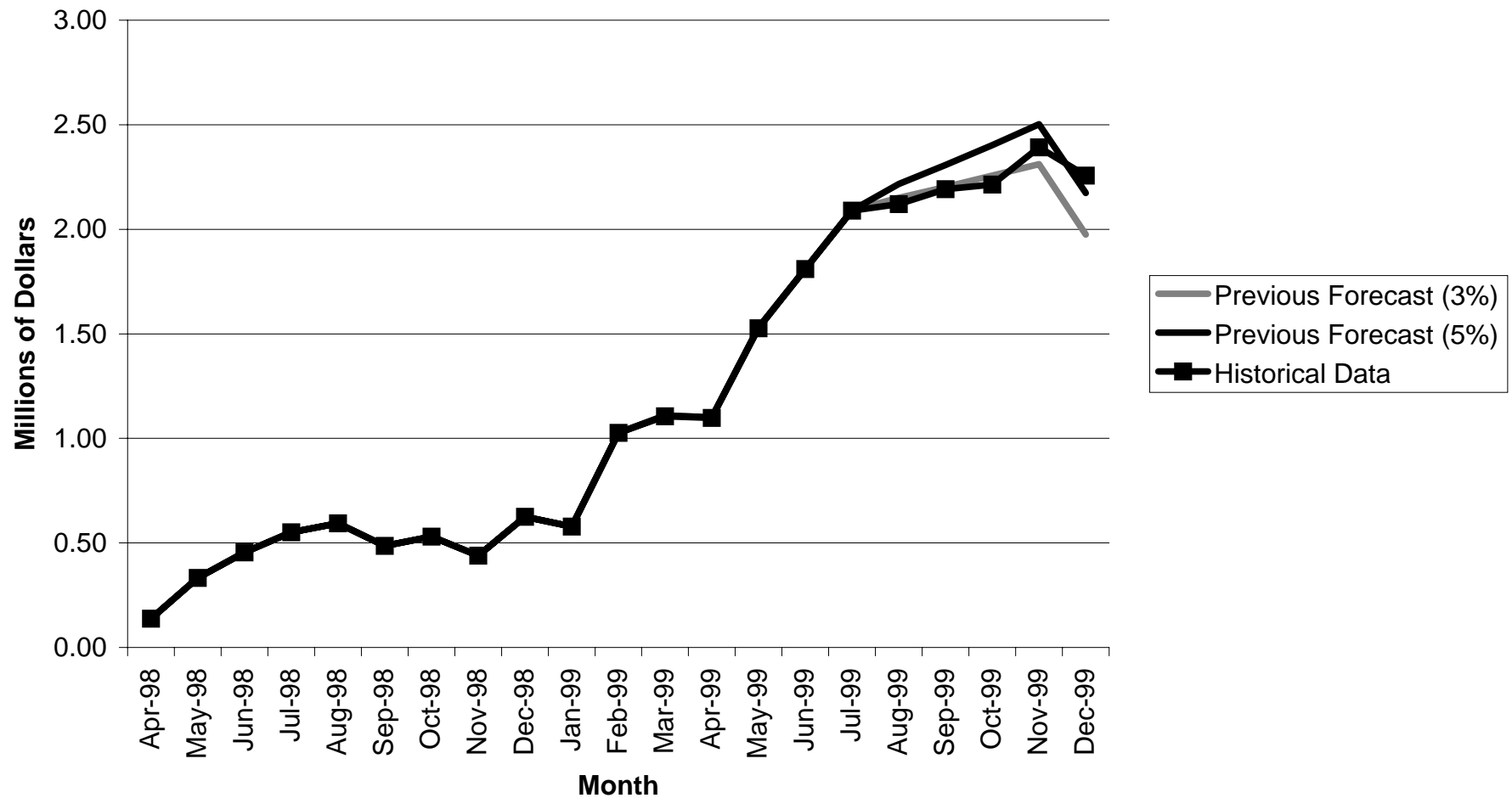


TABLE 2**Forecast: Various Scenarios for Setting the Credit Level July 2000 - Dec 2000****Scenario 1: Assume 5% growth rate per month**

Various Credit Levels for July -Dec. 2000	Funds Disbursed (millions)	Allocation (millions)	Rollover Funds Available Dec 2000 (millions)	When Funds (\$75.6 million) are Depleted
1.25 cents per kWh	\$17.60	\$10.80	(\$7.85)	Jul-01
1.00 cent per kWh	\$14.08	\$10.80	(\$4.33)	Sep-01
0.75 cent per kWh	\$10.56	\$10.80	(\$0.81)	Dec-01

Scenario 2: Assume 3% growth rate per month

Various Credit Levels for July -Dec. 2000	Funds Disbursed (millions)	Allocation (millions)	Rollover Funds Available Dec 2000 (millions)	When Funds (\$75.6 million) are Depleted or Funds Remaining
1.25 cents per kWh	\$16.55	\$10.80	(\$6.80)	Aug-01
1.00 cent per kWh	\$13.24	\$10.80	(\$3.49)	Oct-01
0.75 cent per kWh	\$9.93	\$10.80	(\$0.18)	\$3.98

Scenario 3: Assume 1% growth rate per month

Various Credit Levels for July -Dec. 2000	Funds Disbursed (millions)	Allocation (millions)	Rollover Funds Available Dec 2000 (millions)	When Funds (\$75.6 million) are Depleted or Funds Remaining
1.25 cents per kWh	\$15.57	\$10.80	(\$5.82)	Sep-01
1.00 cent per kWh	\$12.46	\$10.80	(\$2.71)	Dec-01
0.75 cent per kWh	\$9.34	\$10.80	\$0.41	\$8.95

Attachment B

Questions for Discussion and Written Comments Regarding the Credit Level for the Customer Credit Subaccount

Please use the following questions as a guide for making comments at the staff workshop on the credit level for the Customer Credit Subaccount. Comments submitted in writing should also address these questions.

1. How do you expect the market to grow/evolve for the remainder of year 2000? What do you expect in the year 2001? Do you agree with the staff's forecast? Why or why not?
2. Describe any potential concerns regarding the staff's proposal for the credit level. What market effects, if any, do you anticipate if the credit level is dropped to 1.0 cent per kWh.
3. Do you have an alternative recommendation for how to re-set the credit level? If so, please provide a detailed description, analysis, and supporting rationale.